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BEFORE THE FEDERAL/STATE JOINT BOARD  
ON UNIVERSAL SERVICE

Washington, D.C.  
April 12, 1996

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Mr. Chairman, members of the Board, I am pleased to have this **opportunity** to present information to you concerning the requirements for fulfilling the promise of the Telecommunications Act of 1996 regarding Universal Service. The Act codifies and strengthens a number of provisions that give this Board, and the state and federal regulators, the tools for America to achieve Universal Service at last.

My comments are arranged as follows. First I will address the overall statutory scheme, and the linkage in the statute between the various issues raised explicitly, such as telephone subscribership among low-income consumers, rates and services in rural and urban areas, access to modern telecommunications, and rate design generally. Next I will review some of the literature on the role that telecommunications plays in American life. I will turn then to a description of subscribership in America, noting in particular the impact of income and other demographic factors on the availability of phone service. In this discussion, I will touch on the Commission's questions regarding performance measurement, from its March 8 Order.

Then I will discuss the elements of universal service, in the context of the standards set forth by the statute, and the questions asked by the Commission in its March 8 Order. I will suggest that new elements (such as free privacy blocking, a reasonably-priced package of toll services, free toll limiters on a voluntary basis, and

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voice mail for the homeless, among others) be included, to fulfill the mandate of the statute. Here I will also address the question of the evolving standards of Universal Service.

I will address the issue of credit and disconnection policies and their impact on subscribership. Then I will turn to targetted support for low-income customers. This discussion will include suggestions for support mechanisms that are **competitively-**neutral, adequate and specific.

While my remarks do not cover every question in the March 8 Order, and bunch some topics together for a different order of presentation, I hope that these remarks are responsive to the Commission's charge and the objectives of the statute.

**I. Overall Statutory Scheme**

The Congress in passing the Telecommunications Act of 1996 has staked out a bold agenda for the nation. It has put before the regulators a great challenge: recognizing the central role that telecommunications plays in American society, the Congress insists that America take the best tools of competition and regulation, and deftly use them to achieve genuine Universal Service. The Congress makes plain that competition is a central driving paradigm that should, if successful, promote efficiency and thus lower prices. But at the same time, the Congress recognizes that markets by their nature segment consumers, and that we cannot afford to split the nation into groups of telecommunications "winners" and "losers." No one must lose telephone

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subscribership. Indeed, the Act requires this Commission and all who implement it to *increase* subscribership, and to extend modem telecommunications services at least to the groups enumerated in the statute, if not eventually to each household.

The various provisions of the statute must be read in concert. The Commission and this Board should not segregate the low-income issues from the rural issues from the high-tech issues from the access rate design issues. The Act must be read as a whole, and *all* its provisions honored as a package. The Act is the result of the glory of the democratic process - balancing and compromise. To push hard on one provision (e.g. low-income support) while giving lip service to another (e.g. the prohibition on geographic deaveraging) would be to violate the spirit, and the letter, of the Act.

There's no denying that there is tension between various provisions. The solution to this tension is the skillful exercise of judgment and balancing that policymakers have always striven to exercise.

As an advocate for the concerns of low-income customers, you might expect that I would argue for a soup-to-nuts targetted support program, and ignore the rest of the Act. I do not argue this more comprehensive reading of the Act as some kind of cynical consensus-building.

Rather, we must recognize that affordability, the central principle of the Universal Service section of the Act, is not an issue for "officially-designated" low-income households alone. The term "low-income" is a fluid term. Many American's who dont

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have enough money to make ends meet are not categorized as "low-income." People move in and out of the income ranges defined as "low-income." Most who could take the name "low-income" do not participate in the current targetted support programs; as for these customers, they share the position of their perhaps more comfortable neighbors in the face of rate increases. Finally, especially where targetted support has been in the nature of a fixed and limited dollar credit, even those low-income Americans who receive the current forms of targetted support will be buffeted by price increases to the extent these are permitted if rate rebalancing, Ramsey pricing, and other regressive forms of pricing are allowed to hold sway.

With respect to the statute's requirement of reasonably comparable rates in urban and rural areas, we should not be lulled into a false sense of nonchalance by the evidence that elasticities of toll usage are low, and that cross-elasticities exist between local and toll. I recently had the opportunity to review a number of elasticity studies of telephone penetration, including the excellent work done by Alexander Belinfante of the Commission staff. These studies agree that local exchange own-price elasticity is low. This fact does not constitute a license to jack up basic rates and hope that competitive pressures will bring down toll rates sufficiently (and for the right customers) to offset the impact.

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First, while own price elasticity of local is low, it is not zero, as most studies estimate it.<sup>1</sup> Take an elasticity of **.06** and apply it to a population of 94 million households, and assume a local rate increase of **100%**<sup>2</sup> for the third of those customers that live in rural areas, and you have a drop in subscribership of **1,692,000** million. That may be offset by some toll price reductions, but remember that probably 70% of the customers do not make more than \$5 per month in toll **calls**<sup>3</sup>, so that toll bill reductions for this group of customers cannot come close to offsetting the increases contemplated in basic exchange rate under rate rebalancing.

Next, remember that we should not be aiming for an overall penetration rate, but for a Universal Service penetration among all sectors of society. I talk later about the pockets of low subscribership that must be addressed, and other panelists will address the issues of subscribership in rural areas. There is likely to be a mismatch between the customers experiencing higher local rates, and those enjoying lower toll bills.

For these reasons, although I am on the "low-income" panel, I would urge the Board to pay careful attention to proposals for strengthening the Universal Service fund. Caps should be lifted, and not reimposed. Carriers should not be permitted to honor the

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<sup>1</sup> The attached chart **gathers** own price elasticity estimates for local from studies over the last 20 years.

<sup>2</sup> I have seen Universal Service Rate proposals of as high as **\$25** or **\$50**. This would represent a a percentage rate increase of ^ for families now paying \$10 for local service.

<sup>3</sup> Assuming the experience of a major LEC in Pennsylvania is representative.

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rural/urban rate and service comparability provisions of the statute. Targetted **low-** income support should not be a substitute for observing the statute's requirement of just and reasonable rates.

**II. The Role that Telecommunications Plays in American Life.**

Telecommunications plays such an essential role in American life that we often overlook the presence in our midst of hundreds of thousands without this capacity. This Federal Communications Commission, in opening its July 1995 investigation, and now in its March 8 Order quickly moving to give life to the 1996 Act's Universal Service provisions, has taken a lead role in identifying the fact that we still have work to do if we are to realize Universal Service. I want also to acknowledge my copanelist Kathy Brown and the **NTIA**, who have provided data and ideas so important to developing creative solutions to the remaining problems in this area, as well as those state Commissioners and Consumer Advocates who have taken on this topic and made it a high priority.

Without a telephone, modern life as we know it is next to impossible. Many studies have shown the serious impacts of denial of adequate access to basic telephone **service**.<sup>4</sup> These impacts are not limited to hardship experienced by those without a telephone, or benefits enjoyed by those with a telephone. Indeed, society as a whole is benefitted each time a subscriber is added to the network; the more ubiquitous the network, the more valuable it is to each individual and to the entire society. We rely

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<sup>4</sup>I have provided copies of some of these studies to the Board as attachments.

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on our communications network for the essential threads it provides in the fabric of our family, social, and cultural networks, as well as in our connections to employment, social and health services, trade, and commerce.

Inability to obtain affordable, accessible telephone service can create **life-**threatening situations. Frequently, the most important problem arising from the lack of access to telephone service is the denial of access to agencies and institutions that can provide help. For example, the most frequently cited danger that results from lack of telephone service involves access to timely medical attention. The elderly, in addition, suffer more acutely from problems compounded by their physical isolation.

In a Connecticut study conducted by RPM Systems, three of the identified demographic groups were found to be "at greater-than-normal risk" because of lack of telephone service, including "persons over 60 and living alone." The study found that of 59 "no-telephone households" with elderly members, 30 were senior citizens living alone, 23 had a disability or serious medical problem, and 10 of those disabled seniors lived alone. More than half of the seniors living alone (17 of 30) lived more than three minutes away from the telephone they would need to rely upon in an emergency.

For the homebound elderly or physically disabled, the telephone may be the only link with other people. A homebound person cannot even use a coin phone or a neighbor's phone. Without a home phone, a homebound person cannot notify anyone

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that help is needed in an emergency or even have routine contact with friends, family, or social services.

Findings from a Michigan study on telephone usage among the elderly indicate that the elderly were far more likely to consider their telephone calls to be essential than were non-elderly callers. Medical calls were cited by 22 percent as essential (compared to one percent of non-elderly). Social service calls were mentioned first by ten percent of the elderly.

Lack of access to a telephone jeopardizes access to public assistance programs in general, which are typically administered with heavy reliance on telephone contact. According to one study looking at why households do not participate in the Food Stamp program in Vermont, even for those households who knew whom to contact for assistance in understanding the application and income reporting requirements, the inability to contact the agencies by phone was one of the most significant problems in obtaining such assistance.

The majority of calls made by low-income Americans with telephones are for family and social contact, health, social services and employment. Respondents to an NCLC survey of low-income Massachusetts residents performed for the Massachusetts Attorney General reported a median of 17 calls a week, for these purposes:

<u>Purpose of calls</u>	<u>Percent of total calls</u>
Family and Friend	41%
Health	28

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Social Services	15
Employment	10
Other	6

At the other end of the line from those surveyed, then, were friends and family members who needed to maintain contact with a loved one, medical providers, social service agency personnel, employers and others who benefitted from being able to be in contact with the customer.

Respondents without phones reported significant differences in their calling patterns, thus demonstrating the importance of telephone service. Such respondents made an average of only eight calls per week, and were thus in contact far less frequently than telephone subscribers with friends and family, health and social services, and employers. Their relative need for contact with social services is apparent from these data:

<u>Purpose of calls</u>	<u>Percent of total calls (no home phone)</u>
Family and Friends	39%
Health	22
Social Services	25
Employment	6
Other	8

Their diminished use of the telephone for employment purposes is an indicator of the role telecommunications plays in getting and maintaining employment.

One of the most serious impacts of lack of telephone service is on the ability of a household to retain energy service. Lacking access to telephone service adversely affects the ability to retain energy service in a number of different ways. For example, payment

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arrangements are typically (and increasingly) made over the telephone. LIHEAP agencies rely on the telephone as a primary means of contact with their client populations.

As budget cuts have eliminated staffs, and as technological developments have introduced new, less staff-intensive methods of contact, social service providers across the country are depending more on the telephone in providing services. Outreach, consultation and, increasingly, intake and referral functions are being conducted over the phone for a host of essential services including energy assistance.

The customer's difficulties in obtaining help in turn mean an oil dealer or a gas or electric utility will make fewer sales, or receive less payment for sales it makes. The supplier's business interest is adversely affected by the customer's inability to make arrangements to continue service.

The pay telephone has always been assumed to be the "poor person's response" to the lack of a telephone in the home. When all else fails, the low income person can make a trip to the local convenience store, or to the phone booth on the corner, to place a telephone call. But in rural areas, pay telephones are few and far between.

Nevertheless, for those who do not have phones in their homes, there is little choice but to make pay phones a major alternative. Such reliance on pay phones presents numerous problems. The first problem is not knowing if the pay phone closest to your home will be in working order when you need it. When survey respondents were

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asked if over the past year they have found pay phones in good working order, no one reported finding pay phones *always* in working order, 12% reported finding them never in working order and 88% reported *sometimes* finding pay phones in working order.' Thus those who rely on pay phones to place calls have unreliable access to telephone service.

A second problem has been brought on by the widespread use of voice mail technology. With numerous businesses, government agencies and social service agencies using voice mail, it is likely to be more expensive and more difficult to reach the person with whom one needs to speak. A pay phone user's change begins running out quickly as he/she listen to the lengthy directions to press 1 if..., press 2 if..., only in many cases to be transferred to another directory. If the caller does not have enough change to go through the entire voice mail message, he/she will have to call back and begin the process again. The problem is compounded if he/she must ultimately leave a message on someone's voice mail and does not have a phone at which he/she can be reached.

A third problem is the deterioration in availability of working payphones. Even when payphones are present, those who do not have a phone in their own home, or do not have immediate access to a phone, when such is critical in an emergency. Fifty-two percent of the Massachusetts respondents without a phone in their home had to travel

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<sup>9</sup>The *New York Times* reported recently that even in **affluent** neighborhoods, a large proportion of the pay telephones were not in working order. In some less fortunate neighborhoods, as many as one third of the pay phones were not working. This factor was cited by opponents of a Fire Department proposal to remove **fire** call-in boxes from the streets. The proposal has been bottled up as a result of concern about the safety of streets with no call-boxes and no working pay phones.

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more than 3 minutes to gain access to a telephone. The breakdown of length of time to get to a phone is found in the chart below.

MASSACHUSETTS SURVEY RESPONSES: How close is the nearest phone in the event of an emergency?	
1 minute	18%
2-3 minutes	26%
4-5 minutes	36%
More than 5 minutes	14%
No Phone available in emergency	7%

The findings of a Connecticut survey closely match the Massachusetts findings. In an emergency situation, 65% of the respondents were less than 3 minutes from a phone; 35% were farther than 3 minutes, and 16% were farther than 5 minutes from the nearest available phone.<sup>6</sup>

Even those who have access to a phone in a relatively short amount of time may not have access to the phone 24 hours a day seven days a week. Forty-six percent of survey respondents without phones said that they did have access to a phone 24 hours a day, 7 days a week, while **54%**, responded that they did not. In the event of an emergency, if one's neighbor whom one relies upon to use a phone is not home, or the

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<sup>6</sup>RPM Systems, Inc., An Exploratory Study of: Low-Income Telephone Subscribers and Non-Subscribers In Connecticut, May 1988, 37.

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pay phone at the convenience store is out of order, one would have to spend precious time searching out an available, functioning phone.

Seconds lost in an emergency situation may result in an otherwise avoidable fatality. In an emergency situation, according to the American Medical Association, a delay in breathing, if lasting for more than six minutes can result in **death**.<sup>7</sup> If an individual has a heart attack "brain damage is likely if the brain is starved for oxygen for more than 3 to 4 minutes." **Many** of those who are alone during a medical emergency (often because they live alone) would not be able to walk three or more minutes to a pay phone to obtain emergency assistance.

According to the Connecticut study, three groups were found to be "at **greater-** than-normal risk" because of lack of telephone service, including "persons over 60 and living **alone**."<sup>9</sup> The study found that of 59 "no-telephone households" with elderly members, 30 were senior citizens living alone, 23 had a disability or serious medical problem, and 10 of those disabled seniors lived alone. More than half of the seniors living alone (17 of 30) lived more than three minutes away from the telephone they would need to rely upon in an emergency. Thus, the 50% of families without phones

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<sup>7</sup>Charles **Clayman**, Editor. American Medical Association **Encyclopedia** of Medicine, New York Random House, 1989,134.

<sup>9</sup>Charles Claymnn, Editor. American Medical Association **Encyclopedia** of Medicine, New York Random House, 1989,236.

<sup>7</sup>RPM Systems, An Exploratory **Study** of Low-Income Telephone Subscribers and Non-Subscribers in Connecticut, (May 1988)

who must travel 3-5 or more minutes to reach a phone are in greater danger of loss of life than households who have a telephone in their homes.

Receiving phone calls is particularly problematic for people who do not have their own phones. Responding to the question "what phone do you generally use to receive calls," 32% of the Connecticut respondents said "pay phone," none reported receiving phone calls at work, 43% responded friend or neighbor's phone, and 11% responded other. In addition to the inconvenience these individuals experienced, and the inconvenience to those trying to reach them, it should be noted that a full 14% responded that they received no telephone calls at all. Such households are effectively cut off from modern communication with the greater society.

For those who are able to receive calls at a friend or neighbor's phone it is likely that an employer, social worker, or someone calling about a family emergency will be able to at least get a message to the individual they are trying to reach. But of course this involves extra effort for the intermediary. For the remaining 57% of survey respondents without phones reaching that individual or family will prove to be difficult, if not impossible.

In order to receive calls at a pay phone in a timely way, one must have made arrangements previously in order to be at the pay phone when the phone call comes in. What is perhaps most significant is that 11% of these individuals without phones have no way of receiving phone calls.

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Inability or **difficulty** in receiving phone calls has many implications. It is more difficult for a family member to obtain employment, since an employer will not be able to reach that individual except by mail to set up an appointment for an interview. Depending upon how soon the employer needs to fill the position, there may not be time to send a letter and wait for a response. In this case the candidate without a phone may be eliminated from consideration. This in turn narrows the pool of potential applicants.

For families with school age children, there may be emergency situations where school officials must reach the parents. For example, if the child is injured on the school playground and needs emergency surgery, the hospital may have to wait until the parents approval is received before surgery can be performed.

Social service providers report numerous difficulties in trying to deliver services to those without phones. For example, agencies administering fuel assistance need to call households to notify them when a fuel oil delivery will be made. Delays in reaching households may result in winter days without heat.

In these situations, a lack of a phone will mean added expense to these social institutions. Telephone availability in the household would save the institution that expense.

The problem of inaccessible or excessively costly phone service is not simply one of lacking telephone contact altogether; ease of making contact is also a factor. To reach other parties, it is often necessary to have a telephone in the house. To illustrate this

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point, one can examine the process for making inquiries of the Social Security Administration. According to a 1988 General Accounting Office (GAO) study, only 66.5% of all telephone calls to Social Security Telephone Service Centers and only 58.2% of all telephone calls to Social Security offices designed to **service** a statewide region were done with easy accessibility. Busy signals, unanswered calls, disconnected calls, and calls placed on hold for longer than two minutes were all difficulties experienced by households seeking to contact the Social Security Administration.

Overall, more than one-in-seven phone calls to a Social Security office received a busy signal; a repeat call made within one minute generated a busy signal in 60 percent of the cases. An informal survey of call-waiting use by public agencies and businesses, reported in the Boston Globe on May 2, 1994, revealed that the caller was put on hold for 61 minutes before a human operator answered at the Massachusetts Division of Insurance; put on hold 43 minutes (before being disconnected) at the Boston Better Business Bureau; had the call transferred 5 times, was disconnected once and had 4 minutes of holding time to reach a doctor at a local hospital; and had to wait 76 rings to get through to a downtown shopping mall.

If households do not have telephones, then others who wish to contact them must either forego the contact, or use more costly methods of communication. A good example is given by the director of the Cambridge-Somerville (Mass.) Meals on Wheels program, which serves homebound elderly people. Program recipients who do not have

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phones frequently ask the Meals on Wheels driver to do things for them such as shop for groceries or run other errands. Drivers perform this extra duty without additional compensation and the time taken to fulfill these requests delays service to other Meals on Wheels recipients. Thus the lack of telephone service has repercussions well beyond the household lacking a phone.

Economists refer to such effects of telephone connection as externalities, costs of the customer-telephone company transaction that are borne by those who are not direct parties to the transaction. Put another way, a household's lack of telephone service imposes costs on other sectors of society in forms such as:

- lost employment productivity as well as increased unemployment compensation and other public benefits due to the household's inability to contact existing or potential employers,
- increased health insurance premiums due to the additional costs caused by delayed or deferred access to health care,
- increased property insurance premiums due to the additional property damage caused by delayed access to emergency police and fire services,
- reduced business activity due to the inability of households to reach businesses, and
- increased social service costs due to the need for personal visits when telephone contact would be sufficient and far more economical.

**Less** well documented, but emerging anecdotally as a problem, is the question of redlining of maintenance and repairs. We have seen the quality of service issues in rural areas widely reported in the West. A similar phenomenon may be quietly occurring in

central city neighborhoods, like Mission Hill in Boston, where angry subscribers complained last week that NYNEX had moved too slowly to repair a faulty conduit that had knocked out service in this multi-racial, mixed-income neighborhood.

### III. Subscribership in America

Even at a primitive, incomplete definition of universal telecommunications service, we are far from enjoying universal service today. Most of us believe that universal telephone service is the standard in the United States. At least, we believe, all Americans who want a telephone in the home have a telephone. Yet large portions of the low income population cannot afford dial tone, and this number has grown since divestiture, as the cost of local service continues to **rise**.<sup>10</sup> In 1992, while fewer than one out of **100** upper income families did not have a telephone, roughly 25 out of 100 very low income families did not.”

Further, telephone penetration patterns are not racially neutral, regardless of income. While the national average penetration rate for telephone service is 92.7 percent as of July 1993, the penetration rate for black households (regardless of income) is only 83 **percent**.<sup>12</sup> The penetration rate for Hispanic households (regardless of

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<sup>10</sup>**NTIA**, Telecommunications in the Age of Information, U.S. Department of Commerce, 1991, p. 228-300.

“Telephone Information by **Detailed** Characteristics, Current **Population** Survey, Bureau of the Census, March 1988 to July 1993 (Department of Commerce December 8, **1993**), Table IV (total with phones and total of households with incomes under **\$5,000/year** without phones).

<sup>12</sup>*Id.*

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income) is only 82.1 **percent**.<sup>13</sup> This racial inequality carries over into the elderly population. Among homeowners, only three percent of older whites are without telephones, compared to eight percent of their black and Hispanic counterparts. Likewise, only eight percent of older white renters do not have telephones, compared to 19 and 18 percent, respectively, of older blacks and Hispanics.”

The racial inequality is a particular problem for the poor. While 72 percent of all households with incomes less than \$5,000 had telephones on average in 1992, only 64.1 percent of black households and 65 percent of Hispanic households with incomes less than \$5,000 had telephone service.

The NTIA has done a great service by collating the data presented in its recent study, “Falling Through the Net.” I’m sure Ms. Brown will address this topic, so I will only highlight a couple of statistics from this study that highlight the income and racial/ethnic disparity in subscribership in America. Table 1 and its accompanying graph (copy attached) show starkly that the poorer you are, the less likely it is that you will have a telephone. Thus, for example, in urbanized areas as many as 18.3 percent of the people with incomes less than \$10,000 go without a telephone, while only 0.8 percent of those with incomes at or over \$75,000 do not have a telephone. That is, those with

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<sup>13</sup>*Id.*

<sup>14</sup>1990 Census.

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incomes at or above \$75,000 are over 22 times more likely to have a telephone than those with incomes below \$10,000.

Merely looking at incomes does not tell the whole story, because the amount of income needed to eek out a subsistence standard of living varies by a number of factors, not the least of which is the number of persons in the household. While the Federal Poverty Guidelines do not account for many cost of living differences facing **Americans**<sup>15</sup>, it does adjust for household size. Other markers of insufficient income are the receipt of Aid to Families with Dependent Children, Food Stamps, Low Income Home Energy Assistance, Medicaid, or any of a number of means-tested income support or expense-assistance programs.

The Current Population Survey has looked at telephone subscribership for three groups: the "**non-poor**",<sup>16</sup> the 'poor'\*; and those receiving **A.F.D.C.**<sup>18</sup> The results of this study are shown in the attached chart: One Quarter of Poor Families and One Third

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<sup>15</sup>**For** example, it does not adjust for differences **in** the cost of housing from area to area, whereas housing costs represent the single largest component of the low- and moderate-income family's budget.

<sup>16</sup>**By** which they mean persons in families whose income is not less than 100% of the Federal Poverty Level. The Federal Poverty guidelines are published annually by the Department of Health and Human Services. Guidelines for 19% were published at 61 **F.Reg.** 8286 (March 4, 1996). These are set forth in a chart attached to these remarks. Note, however, that the Federal Poverty guidelines do not accurately capture the level of income required to meet subsistence needs. Spade, Maggie, "Faulty Calculation Masks Depth of Poverty In America," *NCLC Energy and Utility Update*, Vo. XI, No. 2 (April 1994): pp. 7 **ff**. This undercosting of subsistence is widely recognized, and for this reason, many anti-poverty programs use a more realistic ceiling of **150%** of the Federal Poverty guidelines.

"Again, defined with respect to the overly narrow 100% of FPL guidelines.

<sup>18</sup>**AFDC** payments (usually to female-headed households) are typically well below the level needed to bring the household out of poverty.

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of AFDC Families Have No Telephone. These families cannot call mothers or fathers, sisters or brothers, sons or daughters, absent husbands or wives. These families cannot call a doctor. They cannot call the fire department. They cannot call 911. They cannot leave a number where they can be reached by a prospective employer. They cannot get a call from their child's school, saying that Janeesha has the flu, or Tommy needs help with his homework. They cannot call in sick, they cannot call city hall. They cannot call anyone. And no one can call them.

A fair amount of damage has been done to the understanding of poor levels of subscribership by a misreading of the study published out of Rutgers University on the subscribership choices of inner-city Camden residents." This study has been cited by those who press for higher local rates and lower toll rates (and related geographic deaveraging proposals) for the proposition that low-income inner city residents prefer to have cable TV if the choice is TV or telephones, because of the role cable TV plays in their lives and the difficulty of controlling long distance bills. This simplistic conclusion is unwarranted by the evidence of the study and the logic of the situation.

The Camden study has data from 14 households. Thus, it has all the validity of a dispersed focus group, but none of statistical validity of a random sample with sufficient data points for significance. Conclusions drawn from this tiny tiny sample should be viewed with extreme caution. Policy should not be made based on 14 points of data.

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"Mueller, Milton and Schement, Jorge **Reina**, "Six Myths of Telephone Penetration: Universal Service From the Bottom Up," *Rutgers University Project on Information Policy*, 1995(?).

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Careless users of the study point to it to argue that the choice of TV over telephone for inner city households is (a) their choice and (b) perhaps a rational choice (innuendo: we need not worry about their lack of phones!).

To address the first point, poverty is not a lifestyle choice. Poverty is a grinding frustrating painful experience, and a trap for the vast majority of those we consign to it in this land of opportunity. Poverty forces draconian choices. The CPS report compared the three studied groups for their ability to get other essential needs taken care of. As the chart "Poverty -- Not A Lifestyle Choice" shows, a large and disproportionate number of the poor, and of them especially families on welfare, could not pay their full rent or mortgage in the four months examined, did not seek needed medical attention, and were forced to allow needed dental care to lapse. *Almost 15 percent of those with incomes below 100% of the FPL, and over 18% of those on AFDC, went at least one day in the four month period without any food at all.* This behavior is not indicative of some kind of fasting or spiritual enlightenment. These people did not have enough to eat.

In the end, 3 households of 8 Camden families interviewed who lacked a telephone had cable TV (and paid for it). The statistics on a related home entertainment (and communications) device, VCRs, show that only about **2/3** as many low-income families have VCRs as do average-income families. Remember too that a household will pay a bill if it is manageable (and if non-payment leads to serious consequences that are difficult to undo), but will forego paying a bill altogether if

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fulfillment of the obligation is hopeless: if a partial payment won't forestall disconnection, and a partial payment is all the family can make, then that money will go to the creditor who will be satisfied with that amount, and not to the creditor who will remove the service regardless of the effort to pay as much as possible.

The NTIA study, and other studies, reveal that in addition to the impact of poverty, race, **rural/urban/centercity** and other factors seem to go hand in hand with different subscribership levels. The combination of racial minority status with **low-income**, lack of home-ownership, and poverty, is a formula for lack of telephone service.

NCLC has had occasion to look closely at penetration rates in Pennsylvania, a state that rightly prides itself in having had subscribership among the highest levels in the country. From this examination, the conclusion must be drawn: even a high state-wide average penetration rate masks serious demographic and geographic pockets where large numbers of families are without telephones.

The overall penetration rate in Pennsylvania is not racially neutral. Of **all** housing units in Pennsylvania occupied by African-Americans, 6.5 percent do not have telephones. Of all Hispanic-occupied units in the state, 14.4 percent do not have telephones. The proportion without home phones is as high as 18.5% of **African-Americans** in Luzerne County and 22.6% of Hispanics in Berks County.

There are significant subscribership differences between homeowners and renters. Of all Pennsylvania homeowners who live with incomes at or below the Poverty Level,

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5.4% do not have telephones. In contrast, of all renters who live at or below the Poverty Level, 13.9 percent do not have telephone service -- 30.4% in Forest County. The fact that only 86.1% of all low-income renters statewide have telephones is an indication that universal service has not been achieved.

The Pennsylvania data is consistent with data from other states. In Massachusetts, for example, the overall telephone penetration rate masks the fact that significant numbers of people, in identifiable groups, sharing common characteristics, are without telephones. A survey conducted by NCLC in 1992 revealed that Blacks, Hispanics, and low-income customers generally, experienced significantly lower-than-average rates of telephone availability?

Eighty-nine percent of the respondents said that they had telephone service in their own homes and 11% responded that they did not have telephone service in their own homes. These penetration rates are significantly lower than the nationwide telephone penetration rate of 93.4%<sup>21</sup> or the Massachusetts statewide penetration rate of 97.9% for all occupied households.<sup>22</sup> However, these numbers do closely correspond

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<sup>20</sup>Quinn, Adrienne and Colton, Roger. *The Impact on Low-Income People of the Increased Cost for Basic Telephone Service: A Study of Low-Income Massachusetts Residents' Telephone Usage Patterns and Their Perceptions of Telephone Service Quality*. Boston: National Consumer Law Center, 1992.

<sup>21</sup>U.S. Department of Commerce, Bureau of the Census, Percentage of Households with a Telephone by State, Table 1.2, 1991.

<sup>22</sup>State Data Center, Massachusetts Institute for Social and Economic Research, Housine: Utilities and Vehicles Available, 1990, 25.

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to penetration rates for various minority groups and low-income households at the time of the survey.

According to the U.S. Census Bureau, nationwide, the 1990 annual average penetration rate for black households was 83.5% and 84.1% for Hispanic **households**.<sup>23</sup> Within Massachusetts, as of March 1991, 87.93% of all black families had **phones**.<sup>24</sup> Census Bureau data show that the presence of a phone in the home is closely linked to income. For example, for households earning under \$5000 a year, the penetration rate was 73.9% while the penetration rate for households earning \$75,000 a year or more was **99.7%**.<sup>25</sup>

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<sup>23</sup>U.S. Department of Commerce, Bureau of the Census, Percentage of Households with a Telephone by State, Table 1.3, 1991.

<sup>24</sup>A.G. 1-5, Attachment 1.

<sup>25</sup>U.S. Department of Commerce, Bureau of the Census, Percentage of Households with a Telephone by State, Table 1.4, 1991.